

**STATE OF MICHIGAN
CHIEF FINANCIAL OFFICERS' COUNCIL
Summary of October 18, 2007 Meeting**

The fourth meeting of the Chief Financial Officers' (CFO) Council for calendar year 2007 was held at 10:00 a.m., Thursday, October 18, 2007, in the Michigan Room, Romney Building.

CFO Council members in attendance:

David Bruce – Agriculture
James Selleck – Attorney General
Mark Freeman – Auditor General
Carol Vargovich – Civil Service
Barry Wickman – Corrections
James Kasprzak – Environmental Quality
Janet Laverty – History, Arts & Libraries

John Sorbet – Human Services
Michael Gilliland – Management & Budget
Minesh Mody – MI Economic Dev. Corp.
Joel Wortley – Military & Veterans Affairs
Joe Pavona – State
Ed Timpf – Transportation

Other attendees:

Raj Mehta – Civil Rights
Jim Brandell – Community Health
Craig Thurman – Education
Shirley Callahan – Labor & Econ. Growth
Sylvia Hatcher – Legislative Ret. System
Dave Quigley – Management & Budget
Joseph Frick – Natural Resources

Laura Mester – OFM
Mike Moody – OFM
Doug Ringler – OFM
Gena Hyde – State
Jim Horsch – State Bar of Michigan
Suzie Nichols – Treasury

Mike Moody, Director of the Office of Financial Management (OFM) and Chair of the Council, welcomed the group. There were no additions to the agenda.

Accounting and Internal Audit Consolidation Update

Mike updated the group on the accounting and internal audit consolidation. A new funding model will not be implemented until FY 2009 which means that the cost of staff related to accounting and internal audit will remain in the agency budgets for FY 2008.

The accounting consolidation will be implemented in phases. This will allow sufficient time to address the issues and concerns that have been identified. SBO is developing a plan for a phased implementation and will share the plan when it is completed. To comply with the executive order, SBO is executing MOUs with each department and agency that transfer accounting functions to SBO, but leaves accounting staff and responsibility for day-to-day accounting operations with the department or agency. This is an interim arrangement that will remain in effect

until a subsequent MOU is executed. In response to a question about chief accountants, Mike indicated that, as a general rule, departments and agencies should assume that chief accountants will be included in the consolidation, but that final decisions will be made on a case-by-case basis as part of the phased implementation.

SBO is moving forward with the internal audit consolidation. Effective October 1, 2007, forty-nine internal audit positions were transferred to SBO. There are still some outstanding issues, so a few additional positions may yet be transferred. MOUs will be executed with each department and agency. The MOU template is currently under development. SBO is in the process of recruiting a director of internal audit services. Until the position is filled, all lead internal auditors will report to Nancy Duncan.

BRIEFINGS AND REPORTS TO CFOs

OFM Accounting and Financial Reporting Division Update

Laura Mester, AFR Director, stated they are working on the year-end close. Transfer requests are due to the State Budget Office by October 19. Various reporting package due dates can be found in the closing schedule. October 26 is the last day to process encumbrances and the 2007 review of encumbrances will begin after the cut-off date. Payment processing to set up your payables ends October 22. We are waiting for the work projects from the Budget Office. The business requirements for the multiple EFT project were signed off on last week and it is highly likely we will be moving ahead with this project. We have seen an increase in EFTs due to Public Act 533 and once we allow multiple bank accounts, we should have even better compliance. Staff is available to help agencies with the 2008 budget. The work project letters need to be addressed. OFM should be involved in any major equipment purchases or the filling of vacant positions.

OFM Payroll and Tax Reporting Division Update

In Ruth's absence, Mike updated the group on events in PTR. Longevity payroll will be processed on the November 1 pay date. Modified processing schedules for the upcoming holidays are posted on our web site. There is currently a moratorium on the DC plan employer contributions. The rate will increase to 3.92% on November 1. The 2002 early out sick leave pay outs will start to drop off in November, with most of the remainder to drop off after the December payment. There are 200 or so that will continue until February 2009. 1099 reporting and B-Notice instructions will be issued soon. The Time and Expense Project has a project manager, Russ Desy. He should have a plan for implementing the project by the end of October. This project will be done in phases the sequence of which is yet to be determined: web enabling DCDS; incorporating expense reimbursement in

DCDS; maintenance and enhancement requests; and fully integrating DCDS into HRMN.

OFM Support Services Division Update

Doug Ringler, SSD Director, said an FMG update regarding audit responses has been issued. Preliminary responses should go to OFM only who will have 30 days to review and who will then notify you at which time it can be sent to the Executive Office and others. The criteria SSD looks at in these responses is updated information, a timeline for corrective action, and making sure the response clearly addresses the finding. A memo will be issued regarding the follow up of the ICE process. We are focusing on going down to the program level. Compliance reports were sent on the PA533 EFTs. The group was asked whether they would prefer to get a combined report or a report broken down between contract spending and non-payroll reimbursements. The group indicated that receiving the reports in separate pieces was acceptable. A system modification was made for an option of the net 45 days. Purchasing sent information related to this. Business Objects has been upgraded and we are developing new training classes.

CFO Member Roundtable Discussion

Carol Vargovich indicated that Civil Service has proposed delaying implementation of a new funding model for HR consolidation until FY 2009 and is awaiting a decision from SBO.

Joe Frick suggested that the Office of the Auditor General, OFM, and the agencies very seriously consider a statewide single audit to achieve cost reductions. Most all other states meet the single audit requirement in this manner.

Mike Gilliland stated that a report has been drafted regarding the duplicate payment pilot project. Recoveries were not sufficient to justify continuing the project.

The meeting adjourned at 10:40 a.m.

Next meeting: Thursday, January 17, 2009 – 10:00 a.m.
The Michigan Room, 1st Floor, Romney Building

Summary prepared by:

Adel Beachnau, Council Secretary